

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 962 - SB 1191

March 5, 2013

SUMMARY OF BILL: Authorizes an allowance for Tennessee service-disabled veteran owned businesses in the evaluation of bids and proposals for transportation contracts or any state or local agency contracts funded in whole or part with state or federal highway funds. Creates specific preference allowances based on the contract award amount. Prohibits the preference allowance from exceeding five percent of the lowest responsive, responsible bid meeting the contract specifications.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$419,200

Assumptions:

- According to the Tennessee Department of Transportation (TDOT), the proposed bill would not apply to federal aid contracts as Federal Highway Administration Rules require federal aid contracts to be awarded only on the basis of the lowest responsive bid.
- An exact fiscal impact is difficult to determine because it would depend on the bid of the lowest responsive bidder and the bid of the qualifying business.
- In 2012, TDOT awarded 337 contracts with a total of \$870.7 million dollars for an average bid amount of \$2.6 million ($\$870.7 \text{ million} / 337 \text{ contracts} = \2.58 million). Assuming a Tennessee service-disabled veteran owned business submitted bids on three contracts that exceeded the lowest responsible bid by five percent, the increase in expenditures would be \$390,000 ($\$2.6 \text{ million} \times 5\% \times 3 \text{ bidders}$).
- According to the Department of General Services, in FY11-12, contracts awarded to service-disabled veteran owned businesses totaled \$584,509. The five percent preference allowance will be applied, resulting in an increase of state expenditures of \$29,225 ($\$584,509 \times 5\% = \$29,225.45$).
- The recurring increase in state expenditures is estimated to exceed \$419,225 ($\$390,000 + \$29,225$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first and last names being more prominent.

Lucian D. Geise, Executive Director

/lsc